

Message Text

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51

ACTION ARA-10

INFO OCT-01 IO-10 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00

USIE-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02 COME-00

DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-05 SP-02 SS-15

STR-04 TRSE-00 FRB-01 PA-02 PRS-01 ERDE-00 /101 W

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O R 051605Z JUN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 1421

INFO USDEL MTN GENEVA

AMEMBASSY SANTIAGO

AMEMBASSY ASUNCION

AMEMBASSY MONTEVIDEO

AMEMBASSY BRASILIA

AMEMBASSY LA PAZ

UNCLAS BUENOS AIRES 3822

PASS TREASURY

PASS COMMERCE

E.O. 11652: N/A

TAGS: ETRD, AR, ENRG, EFIN

SUBJECT: NEW ECONOMIC MEASURES-DEVALUATION, ENERGY PRICE

INCREASES.

1. SUMMARY: GOA LAST NIGHT ANNOUNCED SUBSTANTIAL DEVALUATION AND SIGNIFICANT INCREASES IN ENERGY PRICES. ACCORDING TO ECONOMY MINISTER CELESTINO RODRIGO, MAJOR CHANGES IN CREDIT AND INTEREST RATES WILL BE ANNOUNCED IN NEAR FUTURE. END SUMMARY.

2. JUNE 4, AFTER ONLY THREE DAYS IN OFFICE, NEW ECONOMY MINISTER CELESTINO RODRIGO ANNOUNCED MAJOR DEVALUATION, SHARP HIKE IN UNCLASSIFIED

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ENERGY PRICES, AND SAID MODIFICATION OF CREDIT SYSTEM AND INTEREST

RATE INCREASES WILL BE IMPLEMENTED SHORTLY. PUBLIC SECTOR TRANSPORT RATES ALSO WILL HAVE TO BE INCREASED SOON AND OTHER SUBSTANTIAL CHANGES MAY WELL BE FORTHCOMING. ACCORDING TO RODRIGO, PURPOSES OF NEW MEASURES ARE TO IMPROVE TRADE ACCOUNT, HELP TREASURY FINANCE AND PROMOTE DOMESTIC SAVINGS.

3. DEVALUATION - GOA DVALUED BASIC FINANCIAL RATE BY 100 PERCENT FROM 15 PESOS PER DOLLAR TO 30 PESOS PER DOLLAR. THIS WAS MORE THAN HAD BEEN EXPECTED. COMMERCIAL RATE RAISED FROM 10 PESOS PER DOLLAR TO 26 PESOS PER DOLLAR. TOURIST DOLLAR RAISED FROM 25 PESOS PER DOLLAR TO 45 PESOS PER DOLLAR, INCLUDING SPECIAL TAX OF 4 PESOS PER DOLLAR. ACCORDING TO PRESS, GOA WILL SEND TO CONGRESS BILL WHICH WOULD RAISE SPECIAL TOURIST TAX TO NO LESS THAN 50 PERCENT OF TOURIST EXCHANGE RATE. EFFECTIVE RATE FOR IMPORTS AND EXPORTS NOT YET CLARIFIED. REPORTEDLY, TAXES AND SUBSIDY RATES WILL BE REVISED WITH NEW PRODUCT LISTS TO BE PUBLISHED SHORTLY.

4. GASOLINE - GASOLINE, KEROSENE AND GAS OIL PRICES RAISED SIGNIFICANTLY. REGULAR GASOLINE UP FROM 4.80 PESOS/LITER TO 13.50 PESOS PER LITER (\$1.21 PER GALLON TO \$1.70 PER GALLON) AN INCREASE OF 183 PERCENT PESOS. SPECIAL GASOLINE RAISED FROM 5.50 PESOS PER LITER TO 15 PESOS PER LITER (\$1.40 PER GALLON TO \$1.89 PER GALLON), UP 173 PERCENT IN PESOS. KEROSENE JUMPS FROM 1.20 PESOS PER LITER TO 1.80 PESOS PER LITER, WHILE GAS OIL INCREASED FROM 1.40 PESOS PER LITER TO 2.10 PESOS PER LITER.

5. GAS AND ELECTRICITY - GAS AND ELECTRICITY RATES ARE ALSO INCREASED SHARPLY. ACCORDING PRESS, GAS FOR FAMILY USE RAISED 40-60 PERCENT WHILE ELECTRICITY FOR RESIDENTIAL CONSUMPTION UP 40-50 PERCENT. FOR INDUSTRIAL AND OTHER PURPOSES, GAS AND ELECTRICITY RATES RAISED 70-75 PERCENT.

6. CREDIT AND INTEREST - NO SPECIFIC NEW MEASURES ANNOUNCED YET, BUT ECONOMY MINISTER GAVE PREVIEW OF REFORMS TO BE IMPLEMENTED. LOANS FROM OFFICIAL BANKS 'BANCO DE LA NACION AND BANCO DE DESARROLLO', WILL INCLUDE INFLATION ADJUSTMENT CLAUSES IN FUTURE. INTEREST RATES FOR LOAN AND SAVINGS WILL BE INCREASED SUBSTANTIALLY.

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